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18-10-67

NEWCONEX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF
SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended December 31, 1967

(Interim statement subject to audit)

	<u>1967</u>	<u>1966</u>
Source of Funds:		
Provided from operations	\$ 391,235	\$ 239,869
Sale of marketable securities	3,074,992	553,756
Issue of capital stock	13,230	3,349,625
Issue of debenture by subsidiary, less instalments due within one year	300,616	—
Increase in outside shareholders' interest in subsidiary	27,598	—
	<u>3,807,671</u>	<u>4,143,250</u>

Application of Funds:		
Marketable securities	972,876	2,626,211
Property, plant and equipment	266,843	—
	<u>1,239,719</u>	<u>2,626,211</u>
Increase in working capital	<u>\$2,567,952</u>	<u>\$1,517,039</u>

AR12

NEWCONEX HOLDINGS LIMITED

Interim Report

to the shareholders

for the six months ended Dec. 31, 1967

POSTAL ADDRESS

P.O. Box 40, TORONTO-DOMINION CENTRE
TORONTO 1, ONTARIO

vigorous operation.

During the year, Newconex paid its first dividend. Although this dividend was small, I think it reasonable to assume that in

NEWCONEX HOLDINGS LIMITED

We are pleased to present this interim report on the affairs of your Company. As at December 31, 1967 the net assets of the Company, including marketable securities at market values, amounted to \$16,620,000 or \$8.02 per share, which compares with \$7.07 per share as at the last fiscal year end, June 30, 1967. A portion of this increase results from our investment in Pyramid Mining Co. Ltd., as referred to below.

In November 1967, Pyramid, in which your Company's subsidiary, Melita Investments Ltd., owns 300,000 shares, was advised by the Department of National Revenue that it would not be taxed on the gain realized by it from the sale of its properties to Pine Point Mines Ltd. in 1966. Pyramid is now free to complete the distribution to its shareholders of the balance of the Pine Point shares held by it, as originally contemplated, and to also distribute cash and assets having a value equivalent to the dividends received by it from Pine Point. It is anticipated that this distribution will be completed before the end of January, 1968 and your Company expects to receive 30,000 shares of Pine Point, 30,000 shares of Coronet Mines Ltd., and approximately \$126,000 in cash.

The Gold Fields Group carries out an active mining exploration programme in Canada through its subsidiary, Newconex Canadian Exploration Ltd. Your Company has the right to purchase at cost any property of interest acquired by the Exploration Company. During the past year the Exploration Company participated to the extent of 20% in the financing of Coppermine River Ltd., which owns approximately 120,000 acres in the Northwest Territories. A diamond drilling programme on this property by Coppermine has indicated encouraging copper values, and your Company has decided to exercise its option in the near future and take over the interest of the Exploration Company in Coppermine River Ltd. It is anticipated that the drilling programme on this property will be resumed in late February or early March.

In addition, Newconex Canadian Exploration Ltd. itself will also be participating in two other exploration projects in the Coppermine River area which will cover an additional 110,000 acres.

Toronto, Canada
January 22, 1968

W. A. ROBINSON
President

NEWCONEX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF INCOME

For the Six Months Ended December 31, 1967
(Interim statement subject to audit)

	1967	1966
Income from investments and operations	\$ 620,003	\$ 414,874
Less:		
Administration, technical & general expenses	156,018	131,530
Write-down of trading securities to market value	2,769	47,164
	158,787	178,694
Income before income taxes	461,216	236,180
Provision for income taxes	101,808	—
Income before deducting portion attributable to outside shareholders	359,408	236,180
Portion attributable to outside shareholders	42,560	—
Net income for the the six months	\$ 316,848	\$ 236,180

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Six Months Ended December 31, 1967
(Interim statement subject to audit)

	1967	1966
Retained earnings, beginning of period	\$2,615,414	\$2,239,896
Net income for the six months	316,848	236,180
Net realized appreciation on investments	518,071	53,086
	\$3,450,333	\$2,529,162

Note: Sales of industrial subsidiary for the six months ended December 31, 1967 were \$1,454,995.

18-10-67

W.A. ROBINSON

Before moving the Resolution for the adoption of the Annual Report, I should like to make a few remarks about the affairs of your Company.

The past year has seen considerable progress in the growth and profitability of Newconex Holdings Limited. There has been, in fact, a considerable number of "firsts" in this regard.

During the year "Holdings" exercised its prerogative in purchasing at cost from the Exploration Company its interest in Buffalo River Exploration Ltd., the Company referred to in the Annual Report. This is the first time that "Holdings" has seen fit to exercise its rights under the Holdings-Exploration agreement.

During the year, Holdings made its first industrial acquisition through the purchase of 75% of the outstanding common shares of Pacific Truck & Trailer Ltd., a Vancouver based Company. Mr. J.M. Billingsley, the former major shareholder of the Company, will be our partner in this enterprise and will, of course, continue as President and chief executive officer. We are confident that the Company will continue to grow and prosper and that its new association with the Gold Fields Group will make it an even more vigorous operation.

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NEWCONEX HOLDINGS LIMITED

INFORMATION CIRCULAR

Information Circular accompanying - 2 -

the future the Company's growth and profitability will be reflected in a more liberal dividend policy.

Possibly the most important single factor in the affairs of the Company during the past year was the exercise of practically all of the outstanding warrants. Including the forty odd thousand exercised during the 1966 fiscal year, about 98% of the outstanding warrants were exercised. The funds thus provided place Newconex in a much stronger financial position.

There are several other items that I should like to mention that pertain to events which have taken place, or will take place, since the fiscal year end of 30 June, 1967.

Firstly, the Company is moving its Head Office to the new Toronto-Dominion Bank Tower. Lack of space has necessitated this move and although no definite date has been set we anticipate that we should take possession by the end of November. We will be sending notices to our shareholders, in due course, of the date and change of address.

Secondly, it will be noted from the Annual Report that Newconex held a significant investment in the shares of American companies. I should like to point out that practically all of these securities have been sold subsequent to the fiscal year end and the net realized appreciation has been credited to Earned Surplus. We

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NEWCONEX HOLDINGS LIMITED

INFORMATION CIRCULAR

Information Circular accompanying Notice of the Annual Meeting of Shareholders of Newconex Holdings Limited to be held on Wednesday, the 18th day of October, 1967.

Revocability of Proxy:

Revocation — in addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

Discretionary Authority:

Any proxy shall be deemed to confer discretionary authority with respect to amendments or variations to matters identified in the notice of meeting or other matters which may properly come before the said meeting. The management is not aware as of the date hereof, that any such amendments or variations or other matters are to be presented for action at said meeting.

Persons making the solicitation:

- The proxy accompanying the said notice of meeting and this circular is being solicited by or on behalf of the management of Newconex Holdings Limited.
- The cost of soliciting the aforementioned proxy will be borne by Newconex Holdings Limited.

Voting Shares and Principal Holders Thereof:

- All shares in the capital stock of the company are entitled to be voted at said annual meeting. 2,068,925 shares are outstanding and the holders of such shares are entitled to one vote for each share held.
- The right to vote is not limited to shareholders of record as of a specified date, but, pursuant to a resolution of the directors of the company, proxies to be used at said meeting must be deposited with the company, c/o the Canada Permanent Trust Company, 253 Bay Street, Toronto, Ontario, not later than 12.00 noon (E.D.T.) time, Tuesday, October 17, 1967 or with the Scrutineers before the commencement of the Meeting at 2.30 p.m. (E.D.T.) Wednesday, October 18, 1967.
- To the knowledge of the directors and senior officers of the company the following are the names of any shareholders of the company beneficially owning directly or indirectly equity shares carrying more than ten per cent of the voting rights attached to all outstanding equity shares of the company, together with the approximate number of shares so owned by each such person and the percentage of outstanding equity shares of the company represented by the number of shares so owned.
Gold Fields Mining & Industrial Ltd. — 1,218,110 shares — 59%.

Remuneration of Management and Others:

- Aggregate direct remuneration paid or payable by the company to the directors and senior officers of the company during the company's last completed financial year was \$120,500.00.
- Estimated aggregate cost to the company in the last completed financial year of all pension benefits proposed to be paid under any normal pension plan in the event of retirement at normal retirement age, directly or indirectly, by the company to the foregoing persons referred to in (a) was \$10,411.00.
- During the financial year to June 30, 1967 the following options were granted to officers and employees of Newconex Holdings Limited and Newconex Canadian Exploration Ltd.

<u>Shares</u>	<u>Date of Grant</u>	<u>Price</u>	<u>Price Range 30 days preceding granting of option</u>
12,500	Dec. 12, 1966	\$4.59	\$5.45-\$5.00

During the same period the option price on 2,000 shares granted in 1966 at a price of \$7.34 per share was reduced to \$4.59 per share.

No consideration was received from the optionees for options granted.

The optionees can exercise their options at any time and in any quantity over a period of ten years from the date granted. No options have been exercised to June 30, 1967.

Appointment of Auditors:

It is proposed to appoint as auditors of the company, Deloitte, Plender, Haskins & Sells, 55 Yonge Street, Toronto, who were first appointed as auditors on February 19, 1962.

The information given herein is as of the 2nd day of October, 1967.

(See reverse side)

NEWCONEX HOLDINGS LIMITED

ELECTION OF DIRECTORS


It is proposed that at said annual meeting of shareholders each of the following persons be nominated for election as a director of the company.

Persons to be nominated	Term of office will expire	Position and office held with company	Principal occupation or employment and principal business of any company in which employed	At present	Within five preceding years	Has served as director since	Approximate number of shares of the Company beneficially owned, directly or indirectly
J. I. Crookston	Annual Meeting 1968	Director	Senior Vice-President and Director, Nesbitt, Thomson and Company, Limited Investment Dealers	Senior Vice-President and Director, Nesbitt, Thomson and Company, Limited Investment Dealers	Senior Vice-President and Director, Nesbitt, Thomson and Company, Limited Investment Dealers	Feb. 28/62	5,100
J. G. Godsoe, Q.C.	Annual Meeting 1968	Chairman and Director	President, The Great Western Garment Company Limited Clothing Manufacturers	President, The Great Western Garment Company Limited Clothing Manufacturers	President, The Great Western Garment Company Limited Clothing Manufacturers	Feb. 28/62	4,200
Sir G. S. Harvie-Watt, Bart., Q.C.	Annual Meeting 1968	Director	Chairman, Consolidated Gold Fields Limited Mining Finance House	Chairman, Consolidated Gold Fields Limited Mining Finance House	Chairman, Consolidated Gold Fields Limited Mining Finance House	Feb. 28/62	—
W. F. James	Annual Meeting 1968	Director	Partner, W. F. James, B. S. W. Buffam & M. A. Cooper, Consulting Geologists	Partner, W. F. James, B. S. W. Buffam & M. A. Cooper, Consulting Geologists	Partner, W. F. James, B. S. W. Buffam & M. A. Cooper, Consulting Geologists	Feb. 28/62	1,000
J. D. Leitch	Annual Meeting 1968	Director	Chairman, Maple Leaf Mills Ltd. Grain Products	Chairman, Maple Leaf Mills Ltd. Grain Products	Chairman, Maple Leaf Mills Ltd. Grain Products	Nov. 8/65	—
B. R. P. MacKenzie, Q.C.	Annual Meeting 1968	Director	Partner, Fasken & Calvin, Barristers and Solicitors	Partner, Fasken & Calvin, Barristers and Solicitors	Partner, Fasken & Calvin, Barristers and Solicitors	Sept. 9/63	100
J. D. McCall	Annual Meeting 1968	Director	Director, Consolidated Gold Fields Limited	Director, Consolidated Gold Fields Limited	Director, Consolidated Gold Fields Limited	Apr. 13/64	—
A. B. Matthews	Annual Meeting 1968	Director	Chairman, The Excelsior Life Insurance Co.	Chairman, The Excelsior Life Insurance Co.	Chairman, The Excelsior Life Insurance Co.	Feb. 28/62	1,000
J. W. Orr	Annual Meeting 1968	Director	Manager, Consolidated Gold Fields Limited	Manager, Consolidated Gold Fields Limited	Manager, Consolidated Gold Fields Limited	Feb. 28/62	—
W. A. Robinson	Annual Meeting 1968	President and Director	President, Newconex Holdings Limited	President, Newconex Holdings Limited	Director, Canadian Gas & Energy Fund Ltd. Mutual Fund	Jan. 1/65	—

(See reverse side)

NEWCONEX HOLDINGS
LIMITED

Sixth Annual Report
1967



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NEWCONEX HOLDINGS LIMITED

HEAD OFFICE: 8 KING ST. EAST, TORONTO, CANADA

AUTHORIZED CAPITAL	-	-	-	-	-	-	-	-	-	4,000,000 shares, par value \$1.00
ISSUED	-	-	-	-	-	-	-	-	-	2,068,925 shares, par value \$1.00

DIRECTORS

J. IAN CROOKSTON	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Canada
J. GERALD GODSOE, C.B.E., Q.C., LL.D.	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Canada
SIR GEORGE S. HARVIE-WATT, Bart., T.D., D.L., Q.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	London, England
DR. WILLIAM F. JAMES	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Canada
J. D. LEITCH	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Canada
BRYCE R. P. MACKENZIE, Q.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Canada
J. D. MCCALL	-	-	-	-	-	-	-	-	-	-	-	-	-	London, England
MAJ.-GEN. A. BRUCE MATTHEWS, C.B.E., D.S.O., E.D., C.D.	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Canada
JOHN W. ORR	-	-	-	-	-	-	-	-	-	-	-	-	-	London, England
WILLIAM A. ROBINSON, D.S.O.	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Canada

OFFICERS

J. GERALD GODSOE, C.B.E., Q.C., LL.D.	-	-	-	-	-	-	-	-	-	-	-	-	-	Chairman
WILLIAM A. ROBINSON, D.S.O.	-	-	-	-	-	-	-	-	-	-	-	-	-	President
EMORY T. GREARSON	-	-	-	-	-	-	-	-	-	-	-	-	-	Vice-President and General Manager
FRANK A. WRIGHT	-	-	-	-	-	-	-	-	-	-	-	-	-	Secretary-Treasurer

BANKERS

THE TORONTO-DOMINION BANK

SOLICITORS

FASKEN & CALVIN	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
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AUDITORS

DELOITTE, PLENDER, HASKINS & SELLS	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
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TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST CO.
Toronto, Montreal, Winnipeg and Vancouver

NEWCONEX HOLDINGS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

TO THE SHAREHOLDERS,
NEWCONEX HOLDINGS LIMITED.

The Directors are pleased to submit the Annual Report and the audited consolidated financial statements of the Company for the fiscal year ended June 30, 1967.

Financial

Net income for the year amounted to \$378,954, compared with \$44,199 for the previous year, an increase of \$334,755. This increase is accounted for mainly by dividends received as a result of our original investment in Pyramid Mining Company Ltd., the consolidation of our interest in the net profit of a recently acquired industrial subsidiary, and income earned from the investment of funds received during the year from the exercise of share purchase warrants.

Net realized appreciation on investments sold was \$141,389, which has been credited to retained earnings. The corresponding amount for the previous fiscal year was \$1,660,055, which included \$1,563,616 arising from the disposal of our investment in Mining & Industrial Holdings Limited, an affiliated United Kingdom company within the Consolidated Gold Fields Group.

In June, 1967 your Company declared its first dividend to shareholders since its incorporation in 1962. This dividend, at the rate of seven cents per share, amounted to \$144,825.

As at June 30, 1967 the net assets of the Company, including investments at market value, amounted to \$14,626,000. During the year 1,328,640 shares of capital stock were issued, resulting from the exercise of an equivalent number of share purchase warrants at \$5.00 each. The net asset value per share on the 2,068,925 shares outstanding as at June 30, 1967 was \$7.07.

We are pleased to note that approximately 98% of the 1,400,000 warrants originally issued to shareholders in 1962 and 1963 were exercised prior to the expiry date, February 28, 1967.

As previously reported, Melita Investments Ltd., a wholly-owned subsidiary, acquired a substantial interest in Pyramid Mining Company Ltd. through its participation in the financing of the exploration and development of Pyramid's properties in the Northwest Territories. Subsequently Pyramid sold these properties to Pine Point Mines Ltd. in exchange for 526,400 shares of Pine Point having a market value at the date of sale of approximately \$34,000,000. In September, 1966 Pyramid distributed 50% of these shares to its shareholders, and Melita received 30,000 Pine Point shares as a result. Pyramid was unable to proceed with the distribution of the balance of the Pine Point shares, and a dividend it received thereon, as the Department of National Revenue advised the company that it considered the gain on the sale of the properties to be taxable under the Income Tax Act. Tax counsel for Pyramid, who had previously advised the company in this regard, are of the opinion that the gain on the sale is not subject to tax and have confirmed this view to the company. Pyramid has made representations to the Department on this subject and if, notwithstanding such representations, an assessment taxing the gain is issued, Pyramid will object to and appeal such assessment so that the matter may be determined by the courts. Had Pyramid been able to proceed as planned with the final distribution to its shareholders of the Pine Point shares and the dividend received thereon, the net income of your Company for the fiscal year ended June 30, 1967 would have been increased by approximately \$75,000.

Operations

It is the policy of the Company to participate actively in the development of Canadian enterprises primarily concerned with mining and industry.

The Company recently acquired 75% of the outstanding common shares of Pacific Truck & Trailer Manufacturing, Ltd., Vancouver, British Columbia, which manufactures heavy logging trucks and trailers for the pulp and paper and lumber industries, crane undercarriages and other heavy hauling vehicles for specialized services. Parts and repair service depots are also maintained at various locations throughout the Province. While sales to date have been mainly to the British Columbia market, the company is also active in the export market. Pacific Truck has recently completed the construction of a new plant in North Vancouver which will substantially increase its productive capacity. In view of the continuing expansion in the forest products industry in Western Canada and the possibility of diversification into other lines of heavy mobile equipment, we believe that the company has a good growth potential. Diversification may be facilitated through Pacific Truck's association with the world-wide interests of the Consolidated Gold Fields Group. The accounts of Pacific Truck as at June 30, 1967 have been consolidated with those of your Company, and consolidated net income for the year includes your Company's share of the net profit of Pacific Truck earned since March 1, 1967, the effective date of acquisition of our interest.

The Gold Fields Group carries out an active mining exploration programme in Canada through its wholly-owned subsidiary, Newconex Canadian Exploration Ltd. This programme is financed entirely by Consolidated Gold Fields Limited, and your Company has the right to purchase at cost any property of interest acquired by the Exploration Company. During the past year the Exploration Company, with Conwest Exploration Company Ltd., located an orebody on their jointly held claims in the Northwest Territories. These claims are adjacent to the property of Pine Point Mines Ltd., and they are estimated to contain approximately 1,350,000 tons of ore, undiluted, grading 13% combined lead-zinc. A new company, Buffalo River Exploration Ltd., was formed to take over these claims, and your Company recently acquired the 46% interest of the Exploration Company in Buffalo River for \$316,469. The development of this potentially valuable property, which is located in an area containing extensive facilities as a result of the operations of Pine Point Mines Ltd., is now under consideration.

During the year ended June 30, 1967, 171 properties were submitted to Newconex Canadian Exploration Ltd. Of these, 52 were examined and two were optioned. One of the options was diamond drilled and the other option, and one previous option, were investigated by geological mapping and geochemistry. Three other areas were investigated in detail by the company, and participation was taken in three syndicates. The company continues to hold a small participation in Nass River Mines Ltd., which is exploring a molybdenite discovery near the Nass River, British Columbia.

Newconex Canadian Exploration Ltd. is participating in a substantial exploration programme in the Coppermine River area of the Northwest Territories. The operating company, Coppermine River Ltd., is being financed equally by five companies. Results to date have been encouraging, and indicate that a continuation of the exploration programme will be warranted.

On behalf of the Board of Directors,

W. A. ROBINSON,

President.

September 11, 1967.

NEWCONEX HOLDINGS

(Incorporated under the laws of the State of New York)

CONSOLIDATED BALANCE SHEET

(with 1966 figures restated)

ASSETS

	1967	1966
Current Assets:		
Cash	\$ 142,411	\$ 96,257
Notes at call	975,000	800,000
Government security (market value \$1,890,000)	1,983,750	—
Dividends and interest receivable	33,391	15,638
Accounts receivable	1,177,027	1,801
Trading securities — at lower of average cost or market (market value 1967 — \$433,000; 1966 — \$372,000)	425,538	378,094
Inventories — at the lower of cost or net realizable value	1,496,649	—
Prepaid expenses	44,861	16,636
	<u>6,278,627</u>	<u>1,308,426</u>
Investments — at cost:		
Marketable securities (market value 1967 — \$10,534,000; 1966 — \$7,687,000)	8,523,997	4,763,703
Shares of Buffalo River Exploration Limited (not quoted)	316,469	—
	<u>8,840,466</u>	<u>4,763,703</u>
Fixed Assets:		
Property, plant and equipment — at cost	692,841	29,558
Less accumulated depreciation	318,806	15,173
	<u>374,035</u>	<u>14,385</u>
	<u><u>\$15,493,128</u></u>	<u><u>\$6,086,514</u></u>

See accompanying notes

INGS LIMITED

orporations Act, Ontario)

HEET AS AT JUNE 30, 1967

r comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1967	1966
Current Liabilities:		
Bank loan — secured	\$ 1,166,000	\$ —
Accounts payable and accrued	857,567	252,210
Gold Fields Mining and Industrial Limited — parent company . .	20,544	15,971
Income taxes	76,647	—
Dividend payable	144,825	—
	<u>2,265,583</u>	<u>268,181</u>
Deferred Income Taxes	<u>63,420</u>	<u>—</u>
Outside Shareholders' Interest in Subsidiary Company . .	<u>461,576</u>	<u>—</u>
Shareholders' Equity (Note 2):		
Capital stock:		
Authorized — 4,000,000 common shares of a par value of \$1 each		
Issued and fully paid — 2,068,925 shares	2,068,925	740,285
Contributed surplus	8,018,210	2,838,152
Retained earnings	2,615,414	2,239,896
	<u>12,702,549</u>	<u>5,818,333</u>
Approved by the Board:		
(signed) J. G. Godsoe, Director.		
(signed) W. A. Robinson, Director.		
	<u>\$15,493,128</u>	<u>\$6,086,514</u>

financial statements.

NEWCONEX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF INCOME

For the Year Ended June 30, 1967

(with 1966 figures for comparison)

	1967	1966
Dividends on Investments:		
Marketable securities	\$ 441,634	\$ 94,372
Mining & Industrial Holdings Limited	—	62,881
Profit on Realization of Trading Securities	55,544	—
Management and Technical Fees Received	95,000	95,000
Income of Industrial Subsidiary Before Income Taxes (Note 1)	131,969	—
Interest and Sundry Revenue	130,561	37,364
	<u>854,708</u>	<u>289,617</u>
Less:		
Administration, technical and general expenses	306,838	245,418
Write-down of trading securities to market value	78,356	—
	<u>385,194</u>	<u>245,418</u>
Income Before Income Taxes	469,514	44,199
Provision for Income Taxes	68,919	—
Income Before Deducting Portion Attributable to Outside Shareholders	400,595	44,199
Portion Attributable to Outside Shareholders	21,641	—
Net Income for the Year	<u>\$ 378,954</u>	<u>\$ 44,199</u>

See accompanying notes to financial statements.

NEWCONEX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended June 30, 1967

(with 1966 figures for comparison)

	1967	1966
Retained Earnings, Beginning of Year	\$2,239,896	\$ 535,642
Net Income for the Year	378,954	44,199
Net Realized Appreciation on Investments	141,389	1,660,055
	<u>2,760,239</u>	<u>2,239,896</u>
Dividend Declared	144,825	—
Retained Earnings, End of Year	<u>\$2,615,414</u>	<u>\$2,239,896</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended June 30, 1967

(with 1966 figures for comparison)

	1967	1966
Source of Funds:		
Provided from operations	\$ 394,854	\$ 50,688
Sale of marketable securities	2,023,461	3,402,542
Issue of capital stock	6,508,698	201,375
Funds attributable to a subsidiary acquired during the year	524,996	—
	<u>9,452,009</u>	<u>3,654,605</u>
Application of Funds:		
Marketable securities	5,642,366	2,693,483
Shares of Buffalo River Exploration Limited	316,469	—
Property, plant and equipment	375,550	4,728
Dividend	144,825	—
	<u>6,479,210</u>	<u>2,698,211</u>
Increase in Working Capital	<u>\$2,972,799</u>	<u>\$ 956,394</u>

See accompanying notes to financial statements.

NEWCONEX HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

June 30, 1967

1. The consolidated financial statements for the year ended June 30, 1967 include the accounts of the company, its wholly-owned subsidiaries, and a partly-owned subsidiary acquired as of March 1, 1967. Consolidated income includes the company's share of the net income of the partly-owned subsidiary, resulting from sales of \$1,189,389, earned since the date of acquisition.
2. During the year, 1,328,640 share purchase warrants were exercised resulting in the issue of 1,328,640 common shares for \$6,643,200 cash. Of this amount, \$1,328,640 was credited to capital stock and \$5,314,560 less the related share issue expense of \$134,502 to contributed surplus.

70,000 common shares are reserved under the stock option plan for employees of the company and Newconex Canadian Exploration Ltd. The option price shall be not less than 90% of the market price at the date of the granting of the option. To date the following options have been granted:

20,000 shares at \$4.41 per share expiring 1975

14,500 shares at \$4.59 per share expiring 1976

During the year, options were granted on 12,500 shares at \$4.59 per share and the option price on 2,000 shares granted in 1966 at a price of \$7.34 per share was reduced to \$4.59 per share. No options have been exercised to June 30, 1967.

3. The consolidated statement of income includes:
Depreciation, 1967 — \$15,900; 1966 — \$6,489
Remuneration paid to the company's directors, officers and senior employees, 1967 — \$120,500; 1966 — \$108,650.

AUDITORS' REPORT

To the Shareholders of
Newconex Holdings Limited:

We have examined the consolidated balance sheet of Newconex Holdings Limited as at June 30, 1967 and the consolidated statements of income, retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances, except for a subsidiary company whose statements have been examined and reported on by other chartered accountants.

In our opinion, based on our examination and the report of other accountants referred to above, these statements present fairly the financial position of the companies as at June 30, 1967 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, PLENDER, HASKINS & SELLS

Auditors.

July 25, 1967.

NEWCONEX HOLDINGS LIMITED

AND MELITA INVESTMENTS LIMITED, A WHOLLY-OWNED SUBSIDIARY

The Portfolios at June 30, 1967 included the following securities:

<u>Common Shares</u>	
11,000	ALCAN ALUMINIUM LIMITED
7,000	ALGOMA STEEL CORPORATION, LIMITED
4,000	AMERICAN SMELTING AND REFINING COMPANY
20,000	BUFFELSFONTEIN GOLD MINING CO. LTD.
20,000	CANADIAN SUPERIOR OIL LTD.
5,000	CITIES SERVICE COMPANY
6,000	FALCONBRIDGE NICKEL MINES LIMITED
3,000	GENERAL MOTORS CORPORATION
11,500	HIGHLAND-BELL LIMITED
11,500	HOLLINGER CONSOLIDATED GOLD MINES, LIMITED
6,000	ILLINOIS CENTRAL INDUSTRIES
8,000	IMPERIAL OIL LIMITED
6,000	INTERNATIONAL NICKEL COMPANY OF CANADA LIMITED
4,000	MINNESOTA MINING & MANUFACTURING COMPANY
25,000	NORTHERN AND CENTRAL GAS COMPANY LIMITED
3,000	OWENS-CORNING FIBERGLAS CORPORATION
30,000	PINE POINT MINES LIMITED
300,000	PYRAMID MINING CO. LTD.
4,000	RAYTHEON COMPANY
10,000	ROYAL DUTCH PETROLEUM COMPANY
2,000	TEXAS INSTRUMENTS, INCORPORATED
3,500	TRANS-CANADA PIPE LINES LIMITED
12,000	WEST DRIEFONTEIN GOLD MINING CO. LTD.
5,000	WESTINGHOUSE ELECTRIC CORPORATION

